
WEEKLY FINANCIAL SERVICES REPUBLICAN ROUND-UP 4.9.2010

MESSAGING RESOURCES/POLLING UPDATE

Regulatory Reform Must Address Fannie And Freddie.

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Fannie Mae and Freddie Mac were at the center of the mortgage market meltdown that caused the financial crisis. However, the Democrats' financial regulation bill does not include a single provision to address the status of the two companies.

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While the American people deserve an end to the bailout and a long-term fix to Fannie and Freddie, the Administration has chosen to double down on the GSE's failed model and ignore the problem.

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The bailout of Fannie Mae and Freddie Mac has already cost taxpayers more than \$127 billion. And, taxpayers are on the hook for hundreds of billions more.

Americans Want An End To The Bailouts, But Democrats Are Giving Politically Connected Firms Secret Bailouts.

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Since taking office, the Obama Administration has failed to address the future of Fannie and Freddie. Instead of providing a real reform for the GSEs, the Administration has twice increased the amount of Fannie and Freddie's bailout- ultimately giving the enterprises an unlimited bailout on Christmas Eve 2009.

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The Administration has broken its promise to include GSE reform as part of the President's 2011 budget. Congressional Democrats are also silent on a plan for the GSEs.

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Without real GSE reform, the bailout of Fannie and Freddie will not stop, taxpayers will be forced to continue to dump hundreds of billions of dollars into the companies, and Fannie and Freddie will continue business as usual, contributing to more losses that will only continue this vicious cycle.

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By using Fannie and Freddie as the primary delivery channel for the Administration's failed foreclosure mitigation efforts, Democrats are giving Wall Street yet another backdoor bailout.

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Taxpayers cannot afford to continue to finance the operations of these two entities. A clear exit strategy is needed now.

House Republican Plan Will End The Bailout Of Fannie, Freddie.

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While Democrats continue to punt on addressing the fundamental problem at the GSEs, Republicans have taken action to protect taxpayers and address the future of Fannie and Freddie.

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The Republican financial regulatory reform legislation (HR 3310) includes an exit strategy from Fannie and Freddie in order to protect taxpayers from having to foot the bill for the GSEs. Last month, Republicans also released a set of detailed principles for GSE reform.

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The Republican principles would wind down the operations of Fannie and Freddie within four years, ending once and for all the disastrous government experiment in privatized profits and socialized losses.

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Fannie and Freddie would be placed on budget to ensure transparency and honest accounting of all government spending and liabilities.

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The Republican principles restore market discipline and competition to the mortgage finance system. This is accomplished by establishing a framework that reinvigorates housing finance without relying on taxpayer subsidies.

Jobs, Economic Growth Is Key To Housing Recovery.

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The Administration's latest effort to "cram down" mortgage principal as part of the Home Affordable Modification Program is fundamentally unfair to those who played by the rules. This will reward borrowers who made bad decisions, while not

helping the millions of honest, hard-working Americans who lived within their means and made sacrifices in order to meet their mortgage obligations.

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Instead of continuing and expanding the bailouts, the Democrats should focus on solutions that create jobs and fuel economic growth. This-and not more bailouts-is the path to a sustained housing recovery.

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Taxpayers should not be forced to sink more money into the Democrats' failed housing agenda.

ON THE HORIZON

Tuesday, April 13: The Full Committee will convene for a hearing entitled "Second Liens and Other Barriers to Principal Reduction as an Effective Foreclosure Mitigation Program" at 12 pm in room 2128 Rayburn.

Wednesday, April 14: The Full Committee will convene for a hearing entitled "Housing Finance-What Should the new System Be Able to Do?: Part II-Government and Stakeholder Perspectives" at 9:30 am in room 2128 Rayburn. At 2 pm, the Subcommittee on Housing will meet for a hearing to examine revisions to the Home Affordable Modification Program (HAMP) in room 2128 Rayburn.

Thursday, April 15: The Financial Institutions Subcommittee will meet for a hearing on the Community Reinvestment Act at 10 am in room 2128 Rayburn.

Friday, April 16: The Full Committee will convene for a hearing on illegal Internet gambling at 10 am in room 2128 Rayburn.

WEEKEND MUST-READS

New York Times: "Bernanke, Pointing to 1930s, Credits Fed's Actions for Avoiding a Worse Downturn ... In an address here at the Center for the Study of the Presidency and Congress, Mr. Bernanke drew comparisons between the financial crisis of 2008 and the financial collapse of the 1930s with greater precision than he had in the past."

Wall Street Journal: "Big Banks Mask Risk Levels ... Major banks have masked their risk levels in the past five quarters by temporarily lowering their debt just before reporting it to the public, according to data from the Federal Reserve Bank

of New York."

Time, Q&A: "FDIC's Sheila Bair on Bank Failures and Too-Big-To-Fail ... The recession and crippling credit crisis of the past two years took down some of the biggest names on Wall Street, led to the collapse of huge financial institutions and put political careers in jeopardy. But one person whose reputation has flourished in all of this mess is Sheila Bair, chairman of the Federal Deposit Insurance Corp. the nation's insurance backstop for bank deposits."

Time: "'Too Big To Fail': Still a Problem Too Big to Solve? ... Too big to fail, it appears, may be too big to solve. Connecticut Senator Christopher Dodd's recently proposed financial reform bill creates a team of regulators with the authority to shut down troubled institutions. It calls for capital and liquidity requirements. It requires banks to fund a \$50 billion bailout fund, as well as draft so-called living wills - detailed plans drawn up in advance of how the firms should be shut down if they run into trouble. Yet, policy experts and economists from both ends of the political spectrum say the bill does little to end the problem of banks becoming so big that the government is forced to bail them out when they stumble."

USA Today: "Financial IEDs: SEC tries to defuse asset-backed securities ... Federal regulators proposed new, stricter rules Wednesday for asset-backed securities, the bundles of mortgages and other loans that helped spark the financial collapse in 2008 that nearly brought down the global financial system."

Wall Street Journal: "Bernanke Says U.S. Should Tackle Debt ... Federal Reserve Chairman Ben Bernanke said Wednesday that huge U.S. budget deficits threaten the nation's long-term economic health and should be addressed soon."

REPUBLICANS IN THE NEWS

Rep. Ed Royce issued this press release: Royce, Greenspan: Congress Failed to Rein In GSE Giants

CARTOON OF THE WEEK

(Washington Post)